



SEVENTY

FINANCIAL PLANNING

AUNTIE MAY'S POSTCARD FROM THE YANGTZE

China has commended "Auntie May" for sidestepping human rights during her three-day official visit. We are hoping that she can live up to her nickname and secure a lucrative trade deal for Werther's Original Hard Caramels because the future of this country's other mainstay, financial services, is looking rockier than ever. EU diplomats rejected a special deal to guarantee free flows of financial services after the Brexit transition period. This casts further into doubt the nature of the country's divorce with negotiations between the two sides only a month away.

In the US, the FBI has ramped up the feud between Trump and the Department of Justice over the handling of the Russia investigation, saying it has "grave concerns" about a memo set to be released by Republicans which alleges that the FBI abused its power. In other news, bitcoin has officially tanked. The cryptocurrency reached a two-month low of \$7,700 on Friday before rising back above \$8,000 later in the day.

THE MARKETS THIS WEEK

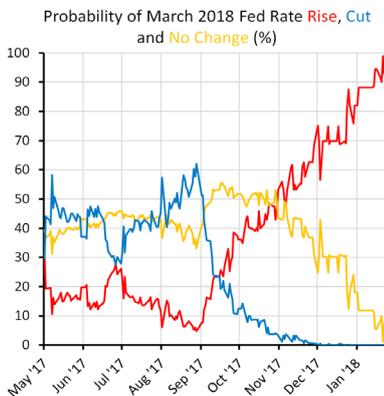
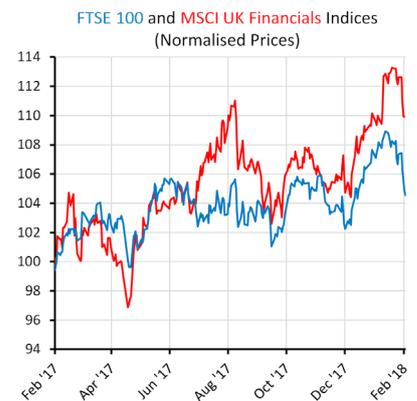
FTSE 100	S&P 500	Nikkei 225	Euro Stoxx 50	Hang Seng	US 10 Yr	UK 10 Yr	Brent Crude	Gold	Wheat	GBP USD
-2.38%	-0.61%	-1.51%	-2.59%	-1.67%	+0.14%	+0.15%	-0.46%	-0.18%	+1.76%	+0.49%



UK: EU SAYS NO SPECIAL DEAL FOR FINANCIAL SERVICES

In a meeting between the EU27 this week, EU diplomats rejected an ambitious post-Brexit deal on financial services. The plan, which would come into effect after the two-year transition period following Brexit, proposed that the UK and the EU would allow cross-border flows of financial services provided each side preserves regulation in line with the best international standards. Instead, the EU27 have argued that future arrangements between the UK and the EU should be based on "equivalence" which means that the UK can expect the limited access to the single market currently enjoyed by countries like the US. This news comes only one month before negotiations between the two parties are due to start.

Despite the importance of the City of London for the European economy, Brussels has claimed that the financial sector will be able to adapt and that a smaller City would spur the development of financial markets in the EU. This news seems to have sustained the slide in UK equity indices caused by investors taking out profits from strongly performing cyclical sectors.



US: YELLEN LEAVES POLICY NORMALISATION TO POWELL

At Janet Yellen's last meeting as Chairwoman, the Federal Reserve voted unanimously to keep interest rates on hold. The target range for the federal funds rate remains at 1.25-1.50 percent. This year the central bank said it expects the labour market to continue to strengthen, the economy to continue to grow at a moderate pace and inflation to rise, eventually stabilising around its target of two percent per year "over the medium term". This, the Fed argues, will warrant further gradual rate rises this year. Three were forecast in December but this language suggests a fourth may be on the cards. The probability of a March rate rise increased to 99 percent following the meeting.

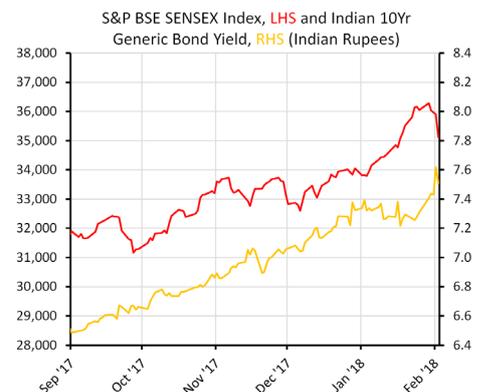
The January meeting was Janet Yellen's last as Chairwoman. Her four-year tenure ends next Monday when the Republican lawyer Jerome Powell will be sworn in. He was appointed to the Fed by Obama in 2012 and nominated to chair the committee by Trump. He is expected to keep many of Yellen's "slow and steady" policies in place.



INDIA: PRE-ELECTION BUDGET CAUSES BOND AND STOCK SELL-OFF

In India, the last annual government budget before next year's general election was published. One of the main features was a backtrack on deficit targets. The finance minister announced that the government is now targeting a deficit of 3.3 percent of GDP for the financial year starting in April after having promised to reduce it to 3 percent. He also said that the current financial year's fiscal deficit would likely amount to 3.5 percent of GDP, 0.3 percent higher than targeted. A bond sell-off followed with 10-year yields climbing to a 22-month high.

Also announced on budget day, small and medium-sized businesses will face a lower corporate tax rate than larger ones. The rate has been lowered from 30 to 25 for companies with annual revenues below \$50m while larger enterprises will still have to pay 30 percent. Any positive affect on Indian equities was more than offset by the introduction of a long-term capital gains tax of 10 percent on shares held for more than 12 months. This caused small, mid and large cap Indian stock indices to fall sharply.



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